

LEXIS NEXIS LEXIS NEXIS LEXIS NEXIS

LEVEL 1 - 1 OF 6 STORIES

Copyright (c) 1984 Jiji Press Ltd.;
Jiji Press Ticker Service

OCTOBER 17, 1984, WEDNESDAY

LENGTH: 185 words

HEADLINE: CIA OWNS BRIBES TO GET LINEAR MOTOR CAR TECHNOLOGY, CALIF. PAPER SAYS

DATeline: SAN FRANCISCO, OCT. 16

BODY:

THE CENTRAL INTELLIGENCE AGENCY (CIA) HAS AUTHORIZED PAYMENT OF 55,000 DOLLARS IN BRIBES TO OBTAIN A BLUEPRINT OF THE SECRET TECHNOLOGY USED IN JAPAN'S LINEAR MOTOR CAR, CALLED THE HIGH-SPEED SURFACE TRANSPORT (HSST), COLUMNIST JACK ANDERSON SAID IN THE TUESDAY EDITION OF THE SAN FRANCISCO CHRONICLE.

"THIS WAS JUST ONE PROJECT IN THE CIA'S CLANDESTINE ACQUISITION OF TECHNICAL AND TRADE SECRETS THROUGHOUT THE PACIFIC, ACCORDING TO SWORN TESTIMONY NOW IN THE FBI'S (FEDERAL BUREAU OF INVESTIGATION) POSSESSION," ANDERSON SAID.

(c) 1984 Jiji Press Ltd., Jiji Press Ticker Service, OCTOBER 17, 1984

HE SAID, "THE AFFIDAVIT, WITH SUBSTANTIATING DOCUMENTARY EVIDENCE, WAS SUBMITTED BY RONALD RAY REWALD AS PART OF HIS DEFENSE AGAINST FEDERAL CHARGES OF FRAUD IN THE COLLAPSE OF AN INVESTMENT COMPANY HE HEADED IN HAWAII." ANDERSON QUOTED REWALD AS CLAIMING THAT THE INVESTMENT COMPANY WAS A CIA FRONT, THAT HE AND OTHERS INVOLVED WERE CIA AGENTS AND THAT THE FIRM'S FAILURE WAS CAUSED BY THE AGENCY'S DEMAND ON ITS RESOURCES.

REWALD WAS ALSO QUOTED AS SAYING, "WE PAID A JAPANESE BUSINESSMAN 30,000 DOLLARS (FOR THE HSST BLUEPRINT) AS A FEE OF JAPAN AIR LINES (JAL).

Approved For Release 2010/07/26 : CIA-RDP90-00494R001100700168-4

(c) 1984 The Washington Post , April 16, 1984

joined in two damage suits against the CIA.

The British Broadcasting Corp. reported recently that it had obtained Bishop, Baldwin company documents indicating that it was a CIA "front" used to gather intelligence on the flow of foreign capital, to arrange attempted arms sales to Taiwan, to obtain plans for a Japanese high-speed train and to cultivate diplomats and businessmen in the Philippines and the Far East.

The saga of Bishop, Baldwin began in 1977 when Rewald, following a minor criminal conviction and the bankruptcy of a sporting-goods concern in Milwaukee, moved to Hawaii to open the financial consulting firm. No one noticed at the time that three of the partners--Bishop, Baldwin and Dillingham--did not exist. They were the names of old-line Hawaiian families.

Rewald also brandished a phony law degree from Marquette University, according to his attorney, Robert A. Smith. The BBC reported that the degree was supplied by the CIA.

Rewald, 41, began spending \$250,000 a month on his lavish lifestyle in Honolulu. He ran the Hawaii Polo Club and played host to visiting dignitaries attracted by the club.

(c) 1984 The Washington Post , April 16, 1984

According to reports by bankruptcy trustees, Rewald spent \$250,000 on a fleet of cars, including three Cadillacs, two Mercedes-Benzes, a Rolls-Royce and a Jaguar; \$66,000 on boats; \$82,000 on jewelry and art; \$154,000 on travel; \$102,000 on relatives; \$225,000 on household help, including tutors, and \$541,000 on horses and other polo club expenses.

It all fell apart last July, when Hawaii reporters uncovered some of the bogus credentials of Rewald's firm. Some investors demanded their money back. Days later, Rewald slit his wrists and lost several pints of blood before he was found in a room at the Sheraton Waikiki hotel.

The following month, Rewald was arrested on minor theft charges and held in Honolulu on a record \$10 million bond. A judge later reduced that to \$140,000, and Rewald was released pending trial. The FBI and a federal grand jury also began investigations.

The first hint of CIA involvement came at a bankruptcy hearing in September, when it was disclosed that the CIA had paid \$2,700 in phone bills for several firms operating out of Bishop, Baldwin's offices. CIA lawyers also persuaded U.S. District Court Judge Martin Pence to seal several boxes of company files, contending that the material was related to national security.

(c) 1984 The Washington Post , April 16, 1984

Nevertheless, CIA attorney Robert Laprade said in an affidavit, "The CIA did not cause Bishop, Baldwin, Rewald, Dillingham and Wong to be created, nor has the agency at any time owned, operated, controlled or invested in Bishop, Baldwin The CIA was not aware of, and has absolutely nothing to do with, Ronald Rewald's alleged appropriation to himself of the funds of the company or its investors."

Pence ruled that " Rewald, through contacts with members and former members of the CIA, considered himself a more important undisclosed private associate of the CIA organization than he was in fact."

The judge likened the company to a "Ponzi scheme," in which money from new investors is used to pay old investors, and said he "saw nothing in the documents to indicate that any of Rewald's slight involvements with intelligence activities explained any of the financial actions of Bishop, Baldwin, Rewald, Dillingham and Wong."

Peter Carlisle, an assistant Honolulu prosecutor, also questioned whether charges of CIA involvement might be designed to shift the blame for defrauding investors. "Mr. Rewald is like a medicine man, and this could be one more trick in his bag of snake oil," he said.

(c) 1984 The Washington Post , April 16, 1984

But others point to the firm's extensive intelligence ties. Among those who invested in Bishop, Baldwin are Jack Kindschi, a former CIA station chief in Hawaii who later became a company consultant, and Jack Rardin, also a former CIA station chief there. Kindschi, who was given back \$175,000 of his investment by Rewald just before the bankruptcy, agreed to return that money last week and stand in line with other creditors.

Other investors included retired Gen. Arnold Brasswell, former commander of the Pacific Air Forces; Gen. Hunter Harris, former vice commander of the Strategic Air Command, and Robert W. Jinks, a California businessman who has done work for the CIA, according to his attorney, Rodney A. Klein.

In a lawsuit joined by 13 other investors, Jinks said Rewald told him "that the CIA had started the Bishop, Baldwin operation to infiltrate international banking operations in order to discover transfers of capital to and from communist countries." Jinks, who invested \$500,000 in the firm, said the office had a direct phone line to the CIA. He also said he and Rewald had visited Hong Kong to assess the impact of a takeover of the colony by China when Britain's 99-year lease ends in 1997.

Jinks told the BBC that a financial investment firm provided an ideal cover for intelligence gathering. "We could hardly knock on doors and say, 'I'm from

(c) 1984 The Washington Post , April 16, 1984

the CIA, please tell me all you know,' " he said.

Rewald's \$671 million suit, filed in federal court in Hawaii, said the CIA "established an operating budget for Bishop, Baldwin of several million dollars, and the agency used Bishop, Baldwin checking accounts and reimbursed Bishop, Baldwin and its agents and employees their expenses for agency work

"The CIA put money into Bishop, Baldwin and directed Bishop, Baldwin in the use of such CIA funds," Rewald said in the suit, adding that company accounts also were used "to shelter monies of highly placed foreigners."

Rewald said in the suit that the CIA "gave assurances that protection would be provided" against investigations by other government agencies, but the CIA's multiple schemes "created increased risk and likelihood of covert operations being discovered . . . , especially in those operations which may or may not have violated various laws."

Klein, Jinks' attorney, said he is relying on novel legal theories to establish the CIA's liability. But, he said, "If Jinks and Rewald were running this 'Ponzi' scheme and knew it was going to collapse, they sure as heck wouldn't have recruited friends and family and put their own money into it.

(c) 1984 The Washington Post , April 16, 1984

"We've got overwhelming stuff to prove the CIA connection, and that's just the garbage they left behind," Klein said. "The CIA was probably Bishop, Baldwin's best customer in arranging whatever financial gains Bishop, Baldwin intended to get for its investors, mostly through sales of arms and other materials to foreign countries."

Smith, Rewald's lawyer, said the CIA should be forced to share liability for the bankruptcy with Rewald, who he said has about \$2 million in assets tied up in the litigation. Smith said his client needs access to the company documents the CIA has under court seal to defend himself.

Jess Black of Honolulu, widow of a retired Air Force colonel, invested all her insurance money, \$82,000, in Bishop, Baldwin after her husband and two sons were killed in a skydiving accident.

Black said she had been assured by a friend "that one of the things the company did was fund CIA operations. I thought if the government was concerned with it, that would be fine . . . that it was like buying savings bonds. I got involved in something that's much larger than I'm capable of handling. If you're going to play with the big boys, you've got to have the money to do that."

LEXIS NEXIS LEXIS NEXIS

LEVEL 1 - 3 OF 6 STORIES

The Associated Press

The materials in the AP file were compiled by The Associated Press. These materials may not be republished without the express written consent of The Associated Press.

February 8, 1984, Wednesday, PM cycle

SECTION: Domestic News

LENGTH: 372 words

HEADLINE: Former Investment Counselor Sues CIA

DATELINE: HONOLULU

KEYWORD: Rewald

BODY:

A former investment counselor accused of theft filed a \$671 million suit against the CIA, saying legal action against the agency might help investors in his bankrupt investment firm get their money back.

The Associated Press, February 8, 1984

Ronald Rewald's attorney, Robert Smith, filed the suit Tuesday in U.S. District Court here after joining forces with San Francisco attorney Melvin Belli, representing a group of investors who contend they placed money in the firm because they thought it was connected to the CIA.

The specific grounds for the suit remain secret under a court order signed by U.S. District Judge Martin Pence.

Rewald is charged with two counts of first-degree theft by deception in the collapse of the investment firm of Bishop, Baldwin, Rewald, Dillingham and Wong last August.

Authorities believe Rewald might have spent as much as \$17 million in funds placed in the firm by investors between 1978 and 1983.

CIA officials have acknowledged the company was used as a mail drop, but said Rewald's ties with the agency were minor. In September, CIA attorney Robert Laprade filed an affidavit saying the CIA was not involved in the formation of the company and had nothing to do with Rewald's alleged theft of investors' money.

LEXIS NEXIS LEXIS NEXIS

The Associated Press, February 8, 1984.

The Honolulu Star-Bulletin has reported that at least one CIA agent used Rewald's company as a cover. The newspaper also has reported that several former business associates of Rewald believed the company was doing work for the spy agency.

Rewald was arrested shortly after the firm collapsed, and was held on \$10 million bail. He was released Jan. 30 after posting \$140,000 bail.

On Monday, a group of Northern California investors filed suit against the CIA, seeking \$5.5 million for allegedly portraying Rewald's company as a CIA operation.

That suit was filed by Robert W. Jinks of Napa, Calif., doing business as Napa Properties, and 14 Napa County investors in the partnership.

The suit said Jinks and the 14 others placed \$597,938 in the company from October 1982 through June 1983.

According to the suit, Rewald told Jinks the company was a CIA operation and that funds placed in the firm would be "secured and backed by the full faith and credit" of the United States and guaranteed by the CIA.

LEVEL 1 - 4 OF 6 STORIES

Copyright (c) 1983 Time Inc. All Rights Reserved;
Money

December, 1983

SECTION: SCAMS; Pg. 224

LENGTH: 3939 words

HEADLINE: WITH GUILE AND GALL, THIS MAN GULLED HAWAII

BYLINE: by Marlys Harris; Reporter associates: Laura Meyers, Lisa Redd, Nancy Stessin

BODY:

On the evening of Friday, July 29, 1983, Ronald Ray Rewald, 41, chairman of the Honolulu investment firm of Bishop Baldwin Rewald Dillingham & Wong, checked into the Sheraton Hotel on Waikiki's tourist-packed main drag. At four o'clock the next afternoon, in a routine inspection of rooms, the assistant manager found Rewald lying in a pool of blood. Using a razor blade, he had slashed deep into his wrists and left forearm in an unsuccessful attempt to kill himself.

LEXIS NEXIS LEXIS NEXIS LEXIS NEXIS

(c) 1983 Time Inc., Money, December, 1983

His near suicide followed a local television news report contending that Rewald was not the successful and upstanding businessman he claimed to be. This combination of events was one of the biggest bombs to hit Honolulu since Pearl Harbor. Several hundred people -- celebrities, prominent businessmen and top-ranking military men, as well as middle-income families and even widows of modest means -- had a total of \$12 million invested with the firm.

During the next week, investors frantically pounded at the locked doors of Rewald's impressive 26th-floor offices in Honolulu to demand their money. Letters from troubled clients on the mainland began pouring in too. But Bishop Baldwin's doors were locked for good. On Friday, Thomas E. Hayes, whom the court had appointed interim bankruptcy trustee, gave investors the bad news: he had found no evidence that Bishop Baldwin "owns or holds any assets . . . that begin to equal the amount of investments outstanding."

Ultimately, a federal court would assert that Ronald Rewald had operated a Ponzi scheme -- the time-worn scam in which a promoter pockets investors' principal while stringing them along with interest paid out of funds obtained from newcomers to the deception. But Rewald's was a particularly stunning example, not so much in terms of the money involved as in his sheer gall and the depth of his victims' trustfulness.

(c) 1983 Time Inc., Money, December, 1983

How did so many people -- often college educated, well connected, sophisticated -- succumb to such a swindle? By taking Rewald on faith and his firm at face value. They asked no questions, or if they did, they heard the answers they wanted to hear. What's more -- and it's hard to blame them for this -- they put their confidence in people and institutions that were supposed to guard their interests: lawyers and financial planners, who had referred them to Bishop Baldwin, the Securities and Exchange Commission, the Internal Revenue Service and other government agencies. Many clients became unwitting accomplices, recommending Rewald to colleagues and acquaintances. Nobody ever checked Rewald's background -- not even, it appears, the master checkers at the Central Intelligence Agency, with whom Ronald Rewald says he was deeply involved.

Rewald's firm had inspired trust. The names Bishop, Baldwin and Dillingham were those of kamaaina families -- the 19th-century pioneers in Hawaii who had built large fortunes and whose names still enjoy considerable influence in the Islands. Rewald's firm claimed to have 24 "consultants," many of them lawyers, accountants and insurance specialists. In addition to the investment accounts that it managed, the firm offered individuals and businesses a wide range of services, from "Estate Coordination" to "Psychiatric Evaluation of Personnel." A network of Bishop Baldwin offices spanned the globe from London to Tahiti, where the company supposedly entertained clients on a double-hulled

XIS NEXIS LEXIS NEXIS LEX

(c) 1983 Time Inc., Money, December, 1983

canoe.

There was comfort too in the firm's claims that the Federal Deposit Insurance Corporation insured investors' money for up to \$150,000. The accounts were also said to be tax deferred, and Rewald promised 20% annually -- a generous return, although not so huge as to provoke utter disbelief.

Rewald himself radiated wealth and respectability. With his wife Nancy, 41, and a brood of five well-mannered teenagers, he lived in a mansion in Honolulu. He also owned a fleet of classic cars, two Hawaiian ranches and a string of polo ponies, including one named Gucci. His Marquette University diplomas in business and law bespoke legitimacy, and his mentions of a stint in professional football commanded admiration. He numbered among his friends Lieutenant Governor John Waihee, TV actor Jack Lord and other notables. News of his doings regularly made the society pages, and the business pages respectfully quoted his views on the international economy.

Alas, most was sham: The degrees, the football career, the business expertise. No ruling-class Bishops, Baldwins or Dillinghams were associated with the firm. Rewald just appropriated the names. Most of the worldwide offices were little more than mail drops. The FDIC protection was bogus too; the federal government covers only bank accounts and not for more than

(c) 1983 Time Inc., Money, December, 1983

\$100,000 each.

Today Rewald resides at the Oahu Community Correctional Center, charged with two counts of first-degree theft. He has no money to pay his \$200,000 bail because the court declared his firm bankrupt and froze his personal assets. He has pleaded not guilty, and federal and state grand juries are conducting investigations. Also, last August the SEC filed a complaint against Rewald in federal court for civil securities fraud. More than 200 investors are lined up as creditors in bankruptcy court. A hundred or so have not stepped forward, partly out of embarrassment but also because they figure they have little to gain. Those who have filed claims don't know if they will ever see a nickel.

Anyone who cared to investigate Rewald's origins in Milwaukee could easily have learned that he was a resume puffer and a small-time cheat who had earned not degrees or football laurels but a conviction for business fraud. At South Division High School, his grades were mediocre. Except for his high school sweet-heart, Nancy Imp, whom he married in 1962, Rewald was a loner. He joined the football and track teams, but according to Pat Jankiewicz, who then coached both sports, "Ronnie had limited ability as an athlete." He rarely played in a game and did not win a varsity letter. Rewald never went to Marquette; he didn't even complete his graduation requirements at the Milwaukee Institute of Technology, the junior college that he attended in 1961-63.

IS NEXIS LEXIS NEXIS LEXIS

(c) 1983 Time Inc., Money, December, 1983

Rewald filed an affidavit with the court that was censored heavily by the CIA before it was made public. Money has obtained a document that appears to be an early unsigned draft of the complete affidavit. In it, Rewald says that in his second year of college a dean introduced him and another student to a man who said he was from the CIA. The man asked the two students to spend some time at the University of Wisconsin at Madison spying on radical groups. Rewald says he was paid \$120 a week in cash for about nine months' undercover work. The dean says he can't recall the incident.

He quit to take a job as a wholesale sporting goods salesman. It was during this time that Rewald's football exploits took their inflated form. He told people around Milwaukee that he was playing with the semipro Racine (Wis.) Raiders, but the team's records make no mention of him. He did try out for a few professional teams and was one of many in 1965 who signed a contract with the Cleveland Browns, but he never played in a game. Rewald says he spent a summer at the Kansas City Chiefs training camp, but the club does not keep records that would verify his claim.

After working at his sales job for a year, Rewald acquired 15% of College Athletic Supply Co., a retail chain, using \$12,000 in borrowed funds. In 1972, he borrowed more and bought out his partner. Right away, claims a former colleague, "Ron started manipulating the books to make the company look more

(c) 1983 Time Inc., Money, December, 1983

profitable." Rewald was two-faced in more areas than double-entry bookkeeping during this period. A pious convert to Catholicism, he started business meetings with prayers. On many afternoons, a former associate relates, Rewald had sexual encounters with various women -- one a secretary with the CIA. Before returning to the office, he would stop at Marquette University's chapel for confession.

Cooking the books did not seem to gain Rewald any business advantage. In 1973 he ran short of money and began selling sporting goods store franchises. As the franchisor, Rewald was obliged to keep the stores stocked, but he didn't have enough capital to do so. Most of the franchises eventually went under.

Even as the small businesses he franchised were struggling, Rewald was proclaiming in an interview that appeared in a September 1974 edition of the Milwaukee Sentinel that his chain was thriving. The article described him as "a Marquette University business administration graduate." He also lied to the reporter in asserting that the loan to buy out his partner had been paid off and that the company regularly leased a plane and other equipment.

Rewald and a former employee were charged that year with criminal violations of Wisconsin's franchise investment law: failing to register with

3 NEXIS LEXIS NEXIS LEXIS

(c) 1983 Time Inc., Money, December, 1983

give the club some snob appeal. There he hobnobbed with wealthy foreign businessmen -- Enrique Zobel, the Philippine banking billionaire, the Sultan of Brunei and Indiri Gautama, an Indonesian industrialist. Some of them invested with Bishop Baldwin.

Clients were accepted "by referral only." Most people heard about Bishop Baldwin and its high-yielding accounts from trusted friends or business associates -- who usually turned out to be consultants in Rewald's pay or friends of consultants. Ken Pickering, a tile layer, and his wife Jean invested \$25,000 two years ago at the suggestion of Bishop Baldwin consultant Richard Spiker. Spiker was a former bank branch manager and a longtime friend. Says Jean Pickering: "I made up my mind to invest on the basis of my friendship with Dick. If I hadn't known him and trusted him, I wouldn't have made this deal." Spiker's lawyer says his client took no commissions. None of the consultants has been charged with any wrongdoing.

Sizable accounts were brought in by consultants. One of them, William Jolly, maintained an active law practice on the so-called Big Island, Hawaii. Lawyer Mark Thomason, who is suing Jolly on behalf of a group of investors, asserts that "when Jolly had a client with a settlement, inheritance or trust, he often would direct the money to Rewald." Thomason estimates that Jolly's efforts brought about \$1 million into Bishop Baldwin coffers. Jolly could not be

(c) 1983 Time Inc., Money, December, 1983

reached for comment.

Rewald instructed consultants to explain that the firm handled only high rollers. That made small investors drool to get in, and Rewald was always ready to make an exception. Patricia Brug, 49, an Air Force pilot's widow who invested the \$75,000 in insurance she received at her husband's death, was told by a Bishop Baldwin consultant that the company normally didn't accept such small sums but that as a favor she would get Mrs. Brug an account. "That made me feel very fortunate," she says.

Far from being con men, some consultants were investors themselves. Chester Owen, 73, a retired real estate developer, met Rewald in Hawaii and was impressed. He invested \$200,000 with Bishop Baldwin -- practically everything he had. When Owen decided to relocate to California last year, Rewald asked him to pass out Bishop Baldwin brochures to friends. On the strength of Owen's say-so, his neighbors in a Santa Maria trailer park, half a dozen relatives in Oregon and a score of their friends in the Northwest mailed in at least \$600,000.

Rewald displayed a talent for using those he'd sucked in to dupe others. Incredibly, the CIA appears to be one of his victim/recruiters. Rewald had resumed his association with the CIA before he left the mainland. He alleges

NEXIS LEXIS NEXIS LEXIS NE

(c) 1983 Time Inc., Money, December, 1983

that in 1977 a CIA man operating out of Chicago told him to volunteer his services to the Honolulu station chief. In the draft affidavit, Rewald asserts that he told the station chief that he, Rewald, had important international clients, although at that time he didn't. He says he was then asked to develop intelligence on China and other countries in Asia. Rewald also claims the station chief helped him transform his little consulting business, CMI, into the far-flung Bishop Baldwin and that the CIA used his offices as clearinghouses for messages to agents.

In reality, his activities on behalf of the CIA seem to have been much more limited. Because his office served as a message center, Rewald's organization was reimbursed by the CIA for some telephone and telex bills. However, Thomas Hayes, now employed as a consultant to the law firm handling the bankruptcy, says that since 1978 Rewald has collected no more than \$1,500 from the CIA.

Rewald seemed infatuated with the idea of being a spy. In Milwaukee, he had frequented a nightclub called the Safe House, where waitresses wore abbreviated trench coats and the lights looked like hand grenades. Rewald planned to open a similar establishment in Honolulu, but nothing ever came of the project.

(c) 1983 Time Inc., Money, December, 1983

On several occasions, Rewald used his relationship with the CIA to cover questionable transactions. Clients would entrust securities to the firm, and Rewald sometimes had employees or relatives sell them. He explained that the securities came from highly placed foreigners who wished to shelter funds in the U.S. with the help of Bishop Baldwin and the CIA.

Along with his two forged Marquette diplomas, on his office wall hung a certificate identifying him as a member of the Association of Former Intelligence Officers. To credulous would-be investors, he displayed another bit of paraphernalia: a CIA identification card. A Honolulu psychologist invested \$18,000, partly because a Bishop Baldwin consultant said the firm was associated with the CIA. "The agency had suffered so many embarrassments in the past that I was sure they would screen a company they did business with to make certain that it was legitimate," says the psychologist.

Rewald shared at least two CIA men as investors. One was John Kindschi, a successor to the station chief who was his original contact. Kindschi joined Bishop Baldwin as a consultant when he retired. He put in \$185,000 of his own and \$112,000 for his mother Hazel in Wisconsin. Kindschi withdrew \$140,000 the day before Rewald's suicide attempt. Jack Rardin, who later took over the station-chief post, invested at least \$1,700.

EXIS LEXIS NEXIS LEXIS NEXIS

(c) 1983 Time Inc., Money, December, 1983

Rewald used associations with military brass in the same way he used his CIA ties -- as evidence for investors that the firm had high government connections. Gen. Hunter Harris, retired former Air Force commander for the Pacific, was arrested twice for drunken driving in 1981 and 1982. Rewald helped get him into an alcoholism rehabilitation program and paid some of his debts (using investors' funds). Rewald also obtained power of attorney over \$75,000 worth of South Korean oil drilling leases owned by Harris, promising in return to provide him a steady income. Impressed by this seemingly selfless gesture, high-ranking officers in the Air Force and Army invested substantial sums with Rewald.

Some would-be clients did try to check out Bishop Baldwin. The customary sources of information -- the Better Business Bureau and the Hawaii Department of Commerce and Consumer Affairs -- had nothing to report. Lawyer Thomason says that many of those he represents "called the usual run of investment advisers, and they simply wouldn't commit themselves. Investors took a 'not negative' response as an endorsement." An investigator used by General Harris told him that Rewald wasn't who he claimed to be. Confronted with the accusation, Rewald offered to return funds to Harris on the spot. That was enough to convince Harris of his probity.

(c) 1983 Time Inc., Money, December, 1983

Bishop Baldwin's financial statements -- footnoted with the phrase "audited by Price Waterhouse" (they weren't) -- received barely a glance from most investors. Says Chester Owen: "When I saw that the firm had \$1.23 billion in assets in 1981, what did I have to ask?" Yet the statements were amateurish fakes. The 1982 balance sheet was precisely the same as that of the previous year except that the last digit of each entry was dropped, reducing the firm's net worth by a factor of 10.

What projects was Bishop Baldwin investing in that could produce an annual yield of 20%, as promised? Most people didn't ask, but everybody who did got a different explanation. Patricia Brug thought the funds went for start-up construction loans. The psychologist was told that the money went for wrap-up construction loans. There was also talk of real estate developments on Oahu, the mainland and in Europe, steel companies in Asia, tea plantations in Indonesia and small businesses that were just about to become profitable. Rewald told his closest associates that the company would earn big commissions on CIA arms deals with India and Taiwan. When one woman inquired what her money would be going for, Rewald said that he wanted to hear clients' views on how their funds should be invested. She replied that she had heard that real estate in the Kona district on the Big Island was soaring in value. Indeed, Rewald readily affirmed, Bishop Baldwin already had substantial holdings there.

«IS LEXIS NEXIS LEXIS NE

(c) 1983 Time Inc., Money, December, 1983

So far, bankruptcy consultant Hayes has found no proof that clients' money was invested in such ventures. It went in a single bank account into which Rewald dipped to pay his personal expenses. Not only did he draw \$20,000 a month in salary, but also, according to Hayes, in the two months before his attempted suicide, Rewald took from investors' funds about \$50,000 for mortgage payments on his house and ranches, \$9,000 to pay his kids' tutor and \$13,000 for relatives. A lot of money disappeared into Bishop Baldwin, the polo club and other unprofitable enterprises. Today Rewald's businesses and related assets, including General Harris' oil drilling investments, are worth \$1.5 million. After Bishop Baldwin funds pay the fees of Hayes and the bankruptcy lawyers, however, little will be left.

It was an anonymous phone call that led to the TV report that brought about Rewald's undoing. It wasn't the diligence of government watchdog agencies, which had received complaints but failed to press investigations. The SEC didn't make its move until a week after the TV report. The Internal Revenue Service launched an inquiry, for reasons officials won't disclose, in November 1982, but it never went anywhere. When the IRS' agent in Honolulu demanded to see his and Bishop Baldwin's financial records, Rewald attempted to get Jack Rardin, who was then CIA station chief in Honolulu, to have the IRS "stand down." But in February the IRS again pushed, though not very hard, for records. Meanwhile, Bishop Baldwin was taking in more investment money than ever before

(c) 1983 Time Inc., Money, December, 1983

-- \$3.2 million in April and May and \$2.6 million in June and July.

The firm's collapse left investors with questions about government agencies. What's the point of requiring firms to register with the SEC if they don't have to disclose key information and if the information they do provide is never checked? Why did the IRS allow Rewald to stall its investigation for nine months, and would he still be stalling that agency if others hadn't caught up with him? If Rewald was only a bit player in the murky drama of cloak and dagger, should the CIA have allowed him to impersonate a major operative? Or if he was a fullfledged agent, why did the CIA let him operate a Ponzi scheme? To many observers, it looks as though the CIA was a party to a swindle of U.S. citizens.

Indeed, Rewald's victims have been left with questions and little else. One 46-year-old nurse was planning to retire to part-time work on her Bishop Baldwin interest payments. The loss of her money has forced her to keep her job, take in a roommate and look for ways to moonlight. Patricia Brug, the Air Force widow who invested \$75,000, can no longer afford the cost of treatment for a son with a chronic bone disease. An elderly doctor was forced to sell his house and move to a smaller one. One Big Island retiree, cheated out of his nest egg, is working at a minimum-wage job. Even Rewald's relatives did not escape his anti-Midas touch. His wife's uncle, Nicholas Imp of Sherman Oaks,

XIS
LEXIS
NEXIS
LEXIS
NEXI

(c) 1983 Time Inc., Money, December, 1983

Calif., lost \$52,000. And Nancy Rewald, who has returned to Milwaukee, has been looking for jobs cleaning houses.

A few people stand to profit by Rewald's exploits. Consultant Hayes is currently getting \$9,000 a month. The case has been a windfall for Honolulu's legal community. And then there are the people on the sidelines trying to make money from Hawaii's morbid fascination with the case. For \$7.50 at Mr. Lucky's, a novelty shop in Honolulu's Chinatown, you can buy a T-shirt that proclaims: FREE REWALD. IT'S ONLY MONEY.

GRAPHIC: Picture 1, The police booked Ronald Rewald on theft charges when he was well enough to leave the hospital after attempting suicide, photo by T. Umeda/Honolulu Advertiser; Picture 2, Bishop Baldwin brochures described worldwide offices. In Tahiti, clients supposedly were entertained on a double-hulled canoe.; Picture 3, no caption, yearbook photocopy by Buck Miller; Picture 4, Rewald (No. 84) falsely claimed a pro football career. His high school yearbook listed him as on the team, but he rarely played. The diploma is forged.; Picture 5, no caption, yearbook photocopy by David Yamada/Honolulu Advertiser; Pictures 6 through 8, Signs of success: a mansion and Rolls-Royce; a day at the polo club with Jean Ariyoshi, wife of the governor; and lavish offices; Picture 6, Honolulu Advertiser photo by John Bender; Picture 7, Honolulu Advertiser photo by Yamamoto; Picture 8, Honolulu Advertiser Yamada;

(c) 1983 Time Inc., Money, December, 1983

Picture 9, A novelty store in Honolulu is selling emerald green T-shirts such as this one at \$7.50 each. To his victims, the joke wears poorly, photo by Leslie Wong

LEVEL 1 - 5 OF 6 STORIES

Copyright (c) 1983 The New York Times Company;
The New York Times

October 1, 1983, Saturday, Late City Final Edition

SECTION: Section 1; Page 11, Column 1; National Desk

LENGTH: 702 words

HEADLINE: CHIEF OF HAWAII INVESTMENT FIRM JAILED IN \$1.2 MILLION FRAUD

DATETIME: HONOLULU, Sept. 30

BODY:

A few months ago Ronald Ray Rewald was spending up to \$250,000 a month on polo, ranches and a million-dollar home. He is now in state prison awaiting trial on charges of defrauding investors of up to \$12 million.

Mr. Rewald, 41 years old, has said he is unable to post his \$10 million bail. About \$2 million in assets remain in the investment firm he founded in 1978, Bishop, Baldwin, Rewald, Dillingham & Wong, according to official bankruptcy records. Only he faces criminal charges. The firm was charged Aug.

(c) 1983 The New York Times, October 1, 1983

B with securities fraud by the Securities and Exchange Commission.

Before his troubles began, his company issued a press release May 6 calling itself "an international financial consulting firm headquartered in Honolulu, Hawaii."

"In addition to estate and investment planning for clients," the release went on, "the firm serves as consultants to numerous corporations and government agencies through offices in San Francisco, Los Angeles, London, Stockholm, Jakarta, Papeete, Rarotonga, Auckland, Taipei, Hong Kong, Paris, Singapore, Kailua-Kona (Hawaii) and New Delhi."

A bankruptcy trustee, Thomas Hayes, says the firm apparently had no foreign offices but only rented places to present an appearance of real operating offices. On Aug. 9, Mr. Rewald was charged by the state with theft by deception, based on complaints filed by two investors. This followed a report on Hawaii television that the state was investigating the company. He pleaded not guilty the next day.

John C. Kindschi, a former station chief for the Central Intelligence Agency in Honolulu, said he had invested about \$300,000 in the firm, according to bankruptcy attorneys. Mr. Rewald is said to have tried to use alleged

LEXIS NEXIS

(c) 1983 The New York Times, October 1, 1983

connections with the C.I.A. to prevent the Federal District Court from declaring his company bankrupt Sept. 20.

An affidavit submitted to Federal District Judge Martin Pence by the intelligence agency said it had no connection with the firm, and that "the C.I.A. did not cause Bishop, Baldwin, Rewald, Dillingham & Wong to be created nor has the agency at any time owned, operated, controlled or invested in" the company.

In an interview Sept. 18 with The Honolulu Advertiser, Mr. Rewald said a secret document held by the Federal District Court shows the C.I.A. connection and would "remove the blame and stigma which has been put upon me."

In declaring the firm bankrupt last week, Judge Pence said he "saw nothing in the documents to indicate that any of Mr. Rewald's slight involvement with intelligence activities explain any of the financial actions" of the company.

Several high military officers were investors in or were otherwise involved in Mr. Rewald's company and have filed claims against him. They included Lieut. Gen. Eugene P. Forrester, who retired several months ago as commanding general of the Army Western Command, based in Honolulu; Lieut. Gen. Arnold Braswell, who retired recently as commander of the Pacific Air Forces, also

(c) 1983 The New York Times, October 1, 1983

based here, and Gen. Hunter Harris, another retired Air Force officer.

Jack Wagner, a lawyer for a federally appointed bankruptcy trustee, Reynaldo Grawlty, said General Harris "had an investment account" with the company and Mr. Kindschi had "about \$300,000 invested" in the firm.

Mr. Hayes, temporary bankruptcy trustee before Mr. Grawlty was appointed, took possession of expensive automobiles, including a 1977 Excalibur worth about \$50,000, while taking inventory of Mr. Rewald's assets. Mr. Hayes said he found 17 polo ponies and other horses at the Rewald-owned Hawaii Polo Club and a ranch Mr. Rewald ran on Oahu Island.

Mr. Wagner said he and Mr. Hayes had decided not to allow a Rewald horse, Gucci's Command, to be entered in the Nevada Futurity, a stakes race in Reno. "Approximately 410 to 420 investors are involved," Mr. Wagner said.

Daniel Wallace and Mary Wallace and Elizabeth Halvorsen, the widow of Leland Don Halvorsen, a millionaire oilman who lived here in retirement, have filed claims against Mr. Rewald. The Sovereign Life Insurance Company of California filed suit in Federal Court asking that Mr. Rewald's \$3 million policy be canceled, saying he concealed information when he applied.

(c) 1983 The New York Times, October 1, 1983

SUBJECT: FRAUDS AND SWINDLING; VIOLATIONS OF SECURITIES AND COMMODITIES REGULATIONS; BANKRUPTCIES

ORGANIZATION: BISHOP BALDWIN REWALD DILLINGHAM & WONG; SECURITIES AND EXCHANGE COMMISSION (S.E.C.)

RE: REWALD, RONALD RAY

LEXIS NEXIS LEXIS NEXIS LEXIS

LEVEL 1 - 6 OF 6 STORIES

Proprietary to the United Press International 1983

August 5, 1983, Friday, BC cycle

SECTION: Financial

LENGTH: 263 words

DATELINE: HONOLULU

KEYWORD: Rewald

BODY:

In a series of rapid-fire developments, two investors filed suit against the investment firm Bishop, Baldwin, Rewald, Dillingham & Wong, and a federal judge Thursday ordered the firm into involuntary bankruptcy at the request of five other investors.

The action automatically froze the assets of the international financial consulting firm, which burst into the limelight in the last week when state and federal agencies sought to determine how it handles investors' money.

Proprietary to the United Press International, August 5, 1983

Thomas Hayes, appointed bankruptcy trustee, entered the firm's downtown Honolulu offices Thursday, ordered the firm closed, and ordered employees not to remove anything.

The bankruptcy declaration by Judge Jon Chinen followed creditors' charges that their assets may be disappearing and documents might have been destroyed.

Tim Holzer, legal counsel for the firm until his Tuesday resignation, said in an affidavit that he saw company security guards removing records Friday. Holzer said when he returned Saturday, all the file cabinets in the offices were empty.

Ronald Rewald and Sunlin L.S. "Sunny" Wong are the sole stockholders of the company. Former president Wong resigned all his positions with the firm Tuesday. Founder Rewald is hospitalized, recovering from an apparent suicide attempt.

On July 28, The state Department of Commerce and Consumer Affairs and Office of Consumer protection issued subpoenas for certain company records. Commerce and Consumer Affairs director Mary Bitterman said there had been no complaints against the firm, but a lot of questions had been raised.

For further explanation, press the H key (for HELP) and then the TRANSMIT key.

DATE: NOVEMBER 5, 1984

LIBRARY: NEXIS General & Business Information
 Stories From Newspapers,
 Magazines, Wire Services
 & Newsletters

FILE: ALL -Combined file of PAPERS, MAGS,
 WIRES, & MLETT

Your search request is:

REWALD AND AFFIDAVIT AND DATE (AFT JULY 1983)

Number of STORIES found with your search request through:

LEVEL 1... 6

If you want to save and resume your research on this problem later today (until 2:00 A.M. Local Time), press the Y key (for YES) and then the TRANSMIT key. If you do not, press the N key (for NO) and then the TRANSMIT key.

After you exercise one of the above options, the time used in this research session will be displayed.

If you do not want to end this research session, press the SIGN OFF key again.

EXXIS NEXIS LEXXIS NEXIS LEXXIS NEXIS LEX